

TEACHERS' RETIREMENT BOARD  
BUDGETS AND AUDITS COMMITTEE

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SUBJECT: School District and Compliance Final Reports

ITEM NUMBER: 8

ATTACHMENTS:

ACTION: \_\_\_\_

DATE OF MEETING: November 7, 2002

INFORMATION: X

PRESENTER(S): Way Lee

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School District Final Reports

1. Salinas City Elementary School District (Defined Benefit)
2. Stanislaus Union School District (Defined Benefit)
3. Farmersville Unified School District (Defined Benefit)

Compliance Cases Final Reports

1. Porterville Unified School District
2. Earlimart school District
3. Sonoma County Office of Education
4. Los Gatos Union Elementary School District
5. Tulare Joint Union High School district

In accordance with auditing standards, the results of our audits are presented to the Budgets and Audits Committee to facilitate its oversight responsibility. The following summary presents the highlights of 3 final audit reports and 5 final compliance reports that we issued in the period June 21, 2002 through October 22, 2002.

**Salinas City Elementary School District:**

- Unused Sick Leave Days and Contract Base Service Days – The School District did not report to CalSTRS excess sick leave days separately from basic sick leave days. As a result, the District did not pay CalSTRS the present value costs of \$13,198 needed to fund the additional retirement benefits related to the service credit resulting from the 155.5 excess sick leave days for eight retired members.
- Incorrect Reporting of Member Earnings - The School District under-reported to CalSTRS retroactive payments totaling \$49,853 for 29 management members during the 2000-01 school year. The related contributions due CalSTRS totaled \$8,101. Of these 29 members, 2 retired members' monthly allowances were understated by \$208 and \$197.
- Incorrect Reporting of Unused Sick Leave - The School District reported accumulated unused sick leave hours as days for a retired member, causing her unmodified monthly retirement allowance to be overstated by \$64. The over reported sick leave balance has a present value cost to CalSTRS of approximately \$9,861.

**Stanislaus Union School District:**

- The District reported incorrect pay rates for retroactive salary increases and for mid-year assignments. Had the lower pay rates been in the nine members' final compensation period, their retirements would have been lower. The errors also caused misstatements in service credit for four of the nine members. The district also under reported the earnings for two of these members resulting in an under payment of contributions of \$365.
- The District and County Office of Education made various errors in reporting the pay rates, earnings, and service credit for five members. As a result, the retirement allowances for four members were understated from \$12 to \$30, with a net present value of \$11,814.
- The District understated the contract base service days for an administrator who retired in June 2000. As a result his retirement allowance was overstated by \$14 a month with a present value cost of \$2,453.

**Farmersville Unified School District:**

- Unused Sick Leave Days and Contract Base Service Days - The School District did not report to CalSTRS excess sick leave days separately from basic sick leave days for three members, who retired during June 1999 to June, 2001. We requested a legal opinion from CalSTRS legal office based on the District's response to our draft report. If CalSTRS legal counsel upholds this finding, the District will be required to pay CalSTRS the present value cost of \$2,464 needed to fund the additional retirement benefits related to the additional service credit.
- Incorrect Reporting of Member Earnings - The School District did not report to CalSTRS "Master" and "Longevity" stipend payments totaling \$59,400 during the 2000-01 and 2001-02 school years. The related contributions due CalSTRS totaled \$9,652.

**Porterville Unified School District - the results of 5 compliance cases.**

- Unused Sick Leave Days - The School District did not report to CalSTRS excess sick leave days separately from basic sick leave days for three members, who retired during the 2000-2001 school year. As a result, the District did not pay or underpaid CalSTRS the present value of \$14,904 needed to fund the additional retirement benefits related to the additional service credit. We estimate that at least 45 active certificated management members from 1986-2001 accumulated approximately 135 excess sick leave days per year, worth approximately \$232,535 in total present value as of June 30, 2001. At the 2000-01 average salary, the average certificated manager is accruing \$344 present value of unused sick leave per year (the average yearly total for the group is \$5,167). Eventually, the District will be required to pay CalSTRS the present value of unused excess sick leave upon a member's retirement.

- **Contract Base Service Days** - The School District under-reported the contract based service days for the Superintendent who retired on March 30, 2001 by not including his 20 vacation days to his contract base service day total. This reporting error resulted in a net overstatement of his sick leave service credit, creating a \$44.88 overstatement in the member's monthly unmodified retirement allowance. The overstatement has a present value cost to CalSTRS of approximately \$5,328.

**Earlimart School District** - the results of 4 compliance cases.

- **Unused Sick Leave Days** - The School District does not separately account for excess sick leave days and report the excess sick leave days to CalSTRS upon a member's retirement. We estimate that 98 teachers are accumulating 1 excess sick leave day each per year with a current present value of approximately \$25,347.
- **Insufficient Notice of Employee's Rights to Elect CalSTRS DB Membership** – The School District did not require part-time employees and substitute teachers to complete and return the CalSTRS form MR350 at the time of hire. Without this notification, employees may not have fully understood criteria for becoming a member and their right to elect membership.

**Sonoma County Office of Education** - the results of 6 compliance cases.

- **Benefit Restructure to IRS 125 Cafeteria Plan** – We will be monitoring the Sonoma COE's use of the IRS 125 Cafeteria Plan to ensure that this compensation is not being used to enhance retirement benefits. Currently, no member whose benefits were restructured into an IRS 125 Cafeteria Plan has retired. Even though the IRS 125 Cafeteria Plan is creditable pursuant to Education Code Section 22119.2(a)(5), it cannot be used to enhance retirement benefits pursuant to Education Code 22119.2(f).

**Los Gatos Union Elementary School District** - the results of 5 compliance cases.

- **Incorrect Reporting of Member Earnings** – The School District under-reported to CalSTRS retroactive payments totaling \$4,143 and a \$2,000 Masters stipend for two employees during the 2000-01 and 2001-02 school years. The related contributions due CalSTRS totaled \$998. The District also reported \$3,144 of unauthorized leave pay as creditable compensation resulting in a \$511 over-remittance of related contributions.

**Tulare Joint Union High School District** – the results of 5 compliance cases.

- **Incorrect Reporting of "Earnables" (Pay Rates) and Earnings** – The School District reported compensation paid to four of its agriculture teachers for extra days worked during the school year. This error resulted in the over-remittance of contributions to Cal-STRS totaling \$31,878.

**OFFICE OF AUDITS**  
**SCHOOL DISTRICT AUDITS/SPECIAL PROJECTS: FISCAL YEAR TO DATE STATUS REPORT**  
**As of October 22, 2002**

<b>Defined Benefit Program Audit</b>	<b>Month Started</b>	<b>Target for Final Report</b>	<b>Status of Audit</b>	<b>Date of Final Report</b>
Stanislaus Union School District	10/01	08/02	Final Report Issued	10/17/02
Salinas City Elementary School District	12/01	07/02	Final Report Issued	08/30/02
Farmersville Unified School District	04/02	10/02	Final Report Issued	09/30/02
Fairfield-Suisun Unified School District	07/02	01/03	Draft Report Issued 10/18/02	
Ontario-Montclair School District	09/02	03/03	Fieldwork In Progress	
Stockton Unified School District	09/02	04/03	Fieldwork In Progress	
Coachella Valley Unified School District	10/02	03/03	Fieldwork in Progress	
Fontana Unified School District	09/02	03/03	Draft Report Being Prepared for Audit Report Review Committee Review	
<b>Special Project:</b> Preliminary Survey of Service Retirement/Exception Lines	03/02	08/02	Final Survey Report Issued	10/22/02